

memorandum

JUNE 20, 1978

MAYOR AND COUNCILMEMBERS

'79 BUDGET AND PROPOSITION 13

Real prop. tax -- Ca
Municipal budgets -- Ca -- Fremont

The City Council has requested suggestions on approaching Budget adoption in light of Proposition 13 and the uncertainties of the revenue picture. The following considerations, principles and program are offered for review at this time as a means of formulating action.

CONSIDERATIONS

1. The joint Assembly/Senate Committees, as of noon today, had not concluded a proposed program for implementing SB 154, the legislation for carrying out Proposition 13. Thus, it is not clear at this point whether cities will receive a proportionate share of the 1% property tax, portions of the State surplus or, the most favorable from the City's point of view, one-cent (\$.01) of the State's share of the sales tax. With this existing uncertainty to the action of the State Legislature, it would be appropriate for the City Council to move cautiously in any direction toward finalizing appropriations.
2. Since it may be July (or snow fall in the Sierra) until the Legislature acts, it is suggested the Budget be adopted incrementally and phased over the next several months rather than trying to finalize all actions by June 30. Remember, the Budget is a planning document which is flexible and can be adjusted to changing conditions. Budget appropriations will be required to enable continuing operation. These can be handled by establishing a first quarter operating budget, if necessary, to allow time for the position of the State and even Federal government to become solid.
3. As to capital expenditures including street construction, Council could tentatively allocate the proposed total amount shown in the Preliminary Budget without specifically designating any project. This action should be conditioned that:
 - a. Council may, as necessary, remove monies in the future not essential to receiving or leveraging Federal or State grant amounts.
 - b. Staff bring back to Council for approval on a project by project basis any project that might be endangered because of funding and/or timing requirements.
4. The City has a significant investment in its employees. To rush into lay-offs and later find such action was not necessary would be wasteful to begin with and unnecessarily disruptive besides. By careful monitoring

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of operations, the City should not incur any major financial obligation beyond its resources in the early stages of Fiscal 79. This statement should not be interpreted to imply that reductions in work force will not be required.

PRINCIPLES FOR GUIDING THE FORMULATION OF THE '79' BUDGET

1. All services and expenditures of the City shall be examined.
2. Highest priority shall be given to maintaining fundamental public safety service. (This position does not establish any "sacred cow" to be excluded from examination, possible reorganization or merging of functions to achieve efficiencies and economies. A reorganization in the Police Department is under study to eliminate administrative costs by merging three divisions to two).
3. Where applicable, budgeting for municipal programs should identify cost centers and the services provided be cost covered by identified revenues. (This will require identification of service areas lending themselves to this approach, determining cost, including appropriate overhead, and setting fees at level to cover cost plus overhead. Examples to this approach are being provided to Council).
4. Proposition 13 expressed a desire to reduce the cost of government and thus reduction or elimination of services. Services and programs should therefore be reduced or eliminated, including personnel, to achieve cost reduction, not the salary paid to public employees, so the public can continue to receive service. (The first step to opening the door to corruption of City operations is to expect that shoes and butter are cheaper for public employees and therefore they can work for less money. Fremont has excellent employees, on the whole. Many of Fremont's employees have returned to the City more than their cost. When the sales executives, truck drivers, doctors and others reduce their salaries to produce lower costs of products and services, then public employees should similarly reduce income. Note the following trend as reported by Kiplinger, June 5, 1978 -

That's ONE thing people are doing. (Tax revolt - defeat bond issues).
Then there's another thing.

They're out to get more pay...to help keep their families going. Might say that people want to be able to spend more of their own money, and they also want more money to spend. Both the result of inflation.

"Anti-inflation" wage increases are fast becoming a theme song, and we think it will get louder. Looks as if raises in smaller firms will probably run around 8% this year. Higher for big...up to 10%.

Plus job security. More time off, more holidays, shorter week, all are intended to force employers to spread out the available work. These are union goals, but they will also affect non-union firms. And a majority of companies are non-union. So the trend should be noted.)

PROGRAM

To move through this transition period from a state of uncertainty to a modification of operation consistent with income, several actions are required.

Recreation and Leisure Services

The operation of the Recreation and Leisure Services Department is in a most precarious situation. A peak expenditure point in this department's activity is in the first part of the fiscal year, since summer arrives at a point at the closing of one fiscal period and the beginning of another. The Preliminary Budget had indicated regardless of which State proposition passed that the attitude of the taxpayer indicated a shift in the way recreation services are to be provided. Proposition 13, I believe, has now mandated this shift. Regardless of this shift, it's difficult to instantaneously move from one mode of operation to another. As indicated in the examples of cost centers, it's proposed that many of the activities previously carried on by the Department of Recreation and Leisure Services, be shifted to a cost center approach, i.e., swim lagoon, snack bars, boat rental and many of the other program activities of day camp, dance classes, etc. Even with this change, there are programs that have operated in the summer which have been subsidized from General Funds. Though steps have already been taken in announcing programs for this year that will be cost covered, it would be a shame to eliminate such activities as the Youth Service Corps and some of the playground programs where playground leaders are required but impossible to recover such activity through fees. It's estimated that about \$29,000 would enable the Department to continue a relatively normal summer program with our reduction curve coming in August. This \$29,000 would be in addition to the funds that will be necessary to provide ranger service in the parks which amounts to about \$77,000 for the full year, as well as some \$65,000 to provide one staff person in each community center plus some administrative cost for overall management. Since the summer program is to get underway next week and no appropriations have been authorized in July, a rather awkward situation is presented. It would seem appropriate if Council is acceptable to the premises and considerations presented in this report, that authorization be given to carrying these additional summer activities that cannot be recovered through fees (for playgrounds, three teen centers, five community parks and centers, the Youth Service Corps, busses for day camp trips and sport field preparation) at a cost of \$29,000.

Traffic Safety Grant

The Budget message indicated an approach to strengthening our Police field force by seeking a grant from the California Office of Traffic Safety to augment our existing traffic officers and thereby improve traffic safety and accident prevention as well as relieving other field officers of this duty to direct their attention to other enforcement efforts. We have worked with the Office of Traffic Safety in developing a grant for \$232,508 proposal which would fund six officers in the first year with the City making a contribution of both in-kind service and cash. The cash share would be about \$36,000. In the second year the grant, if successful, would pay 30% of the six officers with the City in the third year assuming total cost obligation. This program

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is similar to the approach utilized two years ago when the initial traffic unit, involving four officers, was established. It appears the City will be hard pressed to provide the necessary funding for the additional personnel as recommended in the Preliminary Budget and could utilize this means to achieve funding for additional officers to supplement our force. Authorizing this application would therefore appear appropriate with the City retaining the ability to withdraw the application should the long-run funding capability appear impossible as the budget is finalized.

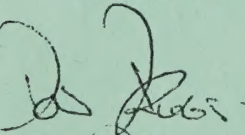
Work Procedure

To establish an orderly means to concluding, at some time hopefully, budget deliberations, it is suggested Council schedule work sessions as necessary to develop a tentative budget over the next several months. These work sessions to be timed to coincide with available information as known from the State Legislature and developed by staff in reformulating the budget. Once the tentative budget has been formulated, the Council could then schedule public hearings for public comment and reaction as to the programs proposed in light of available resources.

Recommendation

It is recommended Council:

1. Accept the considerations as proposed and approve the guiding principles to formulating the '79 Budget.
2. Tentatively approve the appropriation of \$3,424,859 for capital expenditures, as indicated in the Preliminary Budget, including \$1,148,400 for street construction subject to the understanding that this money may be reappropriated for other purposes.
3. Approve the planning and scheduling of Summer '78 recreation activities not to exceed expenditure of \$29,000 in Fiscal '79.
4. Approve the filing of a grant application with the Office of Traffic Safety for a twenty-four month grant in the amount of \$232,508.



DON DRIGGS
CITY MANAGER

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